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Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00 COME-00
TRSE-00 ITC-01 AID-05 /031 W
----------191327Z 084286 /40
R 191227Z MAY 77
FM AMEMBASSY NEW DELHI
TO USDA WASHDC
INFO SECSTATE WASHDC 3507
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
AMCONSUL MADRAS

UNCLAS SECTION 1 OF SECTION 2 NEW DELHI 7260

USDA FOR FAS/O AND PD (FCA AND FMD) AND OGSM PASS FAS/AA
(RANSOM) FOR JOHNSON FROM ACTING AGATT

E.O. 11652: N/A
SUBJECT: EDIBLE VEGETABLE OIL IMPORT REQUIREMENTS

REF: FASTO 10

1. A NATIONAL POLICY FOR EDIBLE OILS THAT SEEMED TO BE EMERGING

LAST JANUARY APPEARS TO HAVE BEEN LARGELY COMPROMISED BY AN UNPRE-

CEDENTED RISE IN DOMESTIC AND INTERNATIONAL EDIBLE OIL PRICES, SOME PROFITEERING BY SEGMENTS OF THE PRIVATE TRADE PARTICIPATING IN THE IMPORT OF SUCH COMMODITIES FOR THE FIRST TIME INOVER TEN YEARS, AND BY OFFICIAL AND UNOFFICIAL STATE INTERFERENCE IN THE FREE INTER-STATE MOVEMENT OF SUPPLIES. HOWEVER, RENEWED INTEREST IN SUCH LONG-TERM PLANNING HAS BEEN PART OF THE NEW GOVERNMENT'S RECENT THINKING; A FACTOR LARGELY EXPLAINED BY THE JANATA GOVERNMENT'S DETERMINATION TO RESIST RESURGENTIN-FLATIONARY TENDENCIES. AIDED BY COMFORTABLE FOODGRAIN STOCKS AND FOREIGN EXCHANGE RESERVES THAT EXCEED DOLS 3.8 BILLION,
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IMPORTS OF EDIBLE VEGETABLE OILS DURING 1976-77 (OCTOBER-SEPTEMBER) ARE SURE TO REACH UN-PRECEDENTED LEVELS. AND THE PATTERN, ALBEIT AT MORE MODEST LEVELS, IS LIKELY TO BE REPEATED IN 1977-78; IRRESPECTIVE OF WHETHER THE DOMESTIC CROP IS A NORMAL ONE.

2. EDIBLE OIL IMPORT POLICY AS PRESENTLY CONSTITUTED ENVISAGES

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THE IMPORTATION OF APPROXIMATELY 700,000 METRIC TONS DRUING
1976-77. THE STATE TRADING CORPORATION (A PUBLIC SECTOR AGENCY
HANDLING TRADE IN SPECIFIC CANALIZED AND UNCANCALIZED ITEMS)
WILL HANDLE JUST OVER 500,000 TONS, VIRTUALLY ALL OF WHICH
WILL GO TO MEET THE 75 PERCENT PORTION OF THE VANASPATI (COMBINED
HYDROGENATED EDIBLE VEGETABLE OILS) INDUSTRY'S NEEDS WHICH
MUST BE COMPOSED OF IMPORTED OILS. HOWEVER, SOME 75,000-100,000
TONS WILL SERVE AS A 2-3 MONTH RESERVE BUFFER. THE REMAINING
200,000 TONS IS EXPECTED TO BE IMPORTED UNDER A SCHEME OF OPEN
GENERAL LICENSING INSTITUTED LAST JANUARY FOR WHICH THE GOI HAS
PROVIDED RS. 5.14 BILLION (APPROXIMATELY DOLS 587 MILLION).
LICENSES HAVE BEEN ISSUED VALID THROUGH MARCH 31, 1978,IN ORDER
TO ALLOW THE PRIVATE TRADE A ROLE IN MEETING HOUSEHOLD CONSUMPTION
REQUIREMENTS AND TO CHECK THE RISE IN DOMESTIC PRICES. TO
DATE ONLY 60,000 TONS VALUED AT RS. 420 MILLION (ROUGHLY
DOLS48 MILLION) HAVE BEEN IMPORTED UNDER OGL; A UTILIZATION
RATE LOW ENOUGH TO HAVE PROMPTED THE MINISTER OF COMMERCE MOHAN
DHARIA TO ASK THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION TO
UNDERTAKE A QUICK STUDY OF THE MATTER. CLOSER SUPERVISION (AND
PERHAPS NEW GUIDELINES APPLICABLE TO USE OF SUCH LICENSES) OF
THE OGL SCHME AND THE STILL REMUNERATIVE SPREAD THAT EXISTS
BETWEEN IMPORTED AND INDIGENOUS OILS ARE LIKELY TO FOSTER GREATER
USE OF THE REMAINING LICENSES.

3. ALTHOUGH THE STC HAS ALREADY CONTRACTED FOR THE DELIVERY OF
80-85 PERCENT OF THE 500,000 TONS IT EXPECTS TO IMPORT THIS
YEAR, A PRECISE BREAKDOWN BY PRODUCT AND COUNTRY OF ORIGIN IS
UNAVAILABLE. ROUGH ESTIMATES HAVE BEEN PIECED TOGETHER AFTER
CONTACT WITH THE TRADE, OFFICIAL GOVERNMENT SOURCES, AND NEWS-
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PAPER REPORTS. ABOUT 65 PERCENT, OR 325,000 TONS, WILL
BE SOYBEAN OIL; MOST OF WHICH WILL BE OF UNITED STATES ORIGIN.
THE REMAINDER WILL BE ABOUT 75,000 TONS OF MALAYSIAN AND/OR
INDONESIAN PALM OIL AND 100,000 TONS OF RAPESEED OIL, (INCLUD-DAING R
APESEED) FROM CANADA AND EUROPE. ALTHOUGH NOT YET PRUCHASE
-D, AN ADDITIONAL 2,000 TONS OF COCONUT OIL (MAINLY FROM
MALAYSIA, MAURITIUS, PENANG, AND THE PHILIPPINES) AND
10,000 TONS OF PEANUT OIL FROM SOUTH AMERICAN AND THE SUDAN ARE
LIKELY TO BE IMPORTED DURING 1976-77.

4. IMPORTS OF 200,000 TONS OF "ANY ORIGIN" ARE EXPECTED
DURING 1976-77 UNDER OGL BRINGING UTILIZATION OF THE AVAILABLE
LICENSES TO ABOUT 25-30 PERCENT. ALL OF THE LATTER WILL BE

FOR DIRECT HOUSEHOLD CONSUMPTION ONLY. ESTIMATES OF THE PRODUCT
AND SUPPLIER BREAKDOWNS ARE AT BEST SPECULATIVE. CANADA AND
THE EEC ARE EXPECTED TO SUPPLY ABOUT 100,000 TONS OF RAPESEED
OIL; MALAYSIA ANOTHER 20,000TONS AND 40,000 OF PALM OIL
AND PALM OLEINE RESPECTIVELY; SOUTH AMERICAN AND THE SUDAN

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ABOUT 10,000 TONS OF PEANUT OIL; ARGENTINA ROUGHLY 10,000 TONS
OF SUNFLOWER OIL; BRAZIL AND THE UNITED STATES BETWEEN
5,000-10,000 TONS OF SOYA OIL; AND FINALLY 10,000 TONS OF

COPRA AND COCONUT OIL IS EXPECTED FROM SUPPLIERS ALREADY CITED.

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00 COME-00
TRSE-00 ITC-01 AID-05 /031 W
----------191328Z 084454 /40
R 191227Z MAY 77
FM AMEMBASSY NEW DELHI
TO USDA WASHDC
INFO SECSTATE WASHDC 3508
AMCONSUL BOMBAY
AMCONSUL CALCUTTA
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5. FOR 1977-78 THE SITUATION WILL BE LARGELY INFLUENCED BY
THE OUTCOME OF THE PRIVATE TRADE'S PARTICIPATION DURING THE
REMAINDER OF THE CURRENT YEAR, THE SIZE OF THE 1977 PEANUT
CROP., AND PRICE TRENDS IN INTERNATIONAL AND DOMESTIC MARKETS.
GIVEN A NORMAL PEANUT CROP (SOMETHING IN THE RANGE OF 5.6-6.0
MILLION TONS) THE GOI IS UNLIKELY TO LOWER THE IMPORTED OIL
COMPONENT OF THE VANASPATI INDUSTRY'S CONSUMPTION REQUIREMENTS
TO LESS THAN 60-65 PERCENT. THIS WOULD PROBABLY LOWER STC
IMPORTS TO BETWEEN 375,000 AND 400,000 TONS. IN ADDITION,
SOME FURTHER UTILIZATION OF THE OGL SCHEME BY THE PRIVATE TRADE
SEEMS LIKELY DEPENDING ON INTERNATIONAL AND LOCAL PRICE TRENDS
THIS FALL. THE LATTER IS TENTATIVELY PLACED AT 150,000 TO 200,000
TONS BETWEEN OCTOBER-MARCH 1978, AFTER WHICH THE ISSUANCE
AND UTILIZATION OF ADDITIONAL LICENSES WILL DEPEND ON THE
OUTCOME OF BOTH THE FALL AND WINTER-HARVESTED (KHARIF) PEANUT
CROP AND THE OUTLOOK FOR THE SPRING-HARVESTED (RABI)
MUSTARD AND RAPESEED CROPS. WITH PRICES CURRENTLY PREVAILING IN
LOCAL MARKETS, FARMERS ARE EXPECTED TO SHOW SOME PREFERENCE FOR
PEANUTS DURING THE MAY-AUGUST PLANTING SEASON. AS A RAIN-FED
CROP, YIELDS WILL BE INFLUENCED ALMOST EXCLUSIVELY BY THE 1977
SW MONSOON'S PERFORMANCE.

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6. IT THEREFORE APPEARS THAT MINIMUM 1877-78 IMPORT REQUIREMENTS WILL FALL IN A RANGE OF 525,000 AND 600,000 TONS, BUT COULD APPROXIMATE THE CURRENT SEASON'S LEVEL IF CROP CONDITIONS ARE DISAPPOINTING THIS SEASON. SOURCES OF SUPPLY AND A PRODUCT BREAKDOWN FOR 1977-78 WILL BE INFLUENCED BY SUPPLY AVAILABILITIES AND PRICE DIFFERENTIALS, BUT WILL PROBABLY NOT DEVIATE SUBSTANTIALLY FROM PATTERNS ESTABLISHED DURING THE PAST FEW YEARS. SCHNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, VEGETABLE OILS
Control Number: n/a
Copy: SINGLE
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: NEW DELHI
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Legacy Key: link1977/newtext/t19770539/aaaabhrx.tel
Line Count: 184
Litigation Code IDs:
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Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2450295
Secure: OPEN
Status: NATIVE
Subject: EDIBLE VEGETABLE OIL IMPORT REQUIREMENTS
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To: USDA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/a0d8cc8f-c288-dd11-92da-001cc4696bcc
Review Markings:
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Declassified/Released
US Department of State
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22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009